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May-16-07 02:56P

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SCAM ALERT**Scam Alert: GW Equity?**

In the January-February 2003 issue of *The Business Owner Journal*, we warned about business brokers:

"Beware of persons or companies that represent they can sell your business for a very high value — provided you pay a substantial up-front fee. These companies prey on the hopes, dreams and desperation (at times) of business owners and ask for \$8,000 to \$40,000 in a single up-front payment — before they have produced anything! They often tout having a pipeline of overseas or foreign buyers — ones you conveniently cannot verify."

One of the pioneers in this game was Geneva Companies of Irvine, California. Geneva was simply exceptional in its ability to put on the look and feel of a Wall Street investment bank.

Its business model was to mail "we have a buyer for your business" letters to business owners. When business owners responded, they were invited to a daylong seminar that wowed them with superlatives about Geneva's expertise, experience and track record for getting high-value deals done for run-of-the-mill businesses and business owners. At the end, attendees were told they had just this one chance to jump on the money train. The price of the ticket was \$40K — just a fraction of the money they were promised they soon would earn. Many paid up.

The bad news is that business owners are people, too, and they don't like to look dumb. They tended not to tell the world when they'd been taken. So scams like these tend to have longer lives than they should. But eventually Geneva was the subject of a class action lawsuit. Although it never admitted guilt, it paid \$45 million in settlement and seems to have faded away.

Equico (RSM Equico) was next. Started by the original founder of Geneva Companies, Equico had the same business model. It too seems to have made a ton of money and was very successful. Whether it is still doing its thing, I don't know. Its Web site is still up, but word on the street is that Equico is but a shadow of its former self. Over time, companies like this run out of steam.

GW Equity, headquartered in Dallas, Texas, may be the new kid on the block. Some have said that GW Equity is the reinvention of Great Western Business Brokers, also in Dallas and the subject of a very critical exposé in *Inc. Magazine* (see *For Sale: The American Dream*). Its business model was different from that of Geneva and Equico. Great Western would call business owners and tell them they had a buyer (or buyers) for their businesses. If it could get an appointment, Great Western would send a commission-only sales rep to "sign 'em up." The rep would value the business "on the spot" and, no doubt, value it very high — then explain that for, say, \$8,000, it would hook up the business owner with a buyer. Of course, almost nothing ever happened except the check clearing the bank.

As one of GW Equity's own reps explains, Great Western Business Brokers "basically ran out of people to screw — so it reinvented itself and changed its name to GW Equity."

With Geneva gone and Equico on the ropes, GW has rebranded itself as a "Wall Street-style investment bank" and has done all the

things necessary to display the appearance of credibility. It flashes bios of executives from Fortune 500 companies and with advanced degrees (or better, divinity degrees) from respected schools.

To be sure, GW Equity may not have been "doing its thing" long enough to have gathered victims willing to admit they were fooled. But a recent Internet search found at least one apparent victim. Here's an abbreviated version of his posting:

"I was contacted by GW Equity. They assured me that a research team had qualified my company and that they had some investors that were specifically interested in my company. Incidentally, they had two experts that happened to be in my area. I should drop everything and go to a seminar. I did.

To take advantage of the opportunity, I needed to pay \$29,000. In short, I know now that I was taken. I don't know who to sue, but you bet your backside I am looking into it."

Dave
Rockford, Minn.

Is David in Rockford telling the truth? Is this article factual? You should decide for yourself, but always keep in mind — if it sounds too good to be true, it probably is.

Talented and competent business brokers charge up-front fees. But exercise great caution before paying it all in a single check on Day 1.

Disclosure: The owner, editor and publisher of this publication is David L. Perkins, Jr. He consults on the purchase and sale of businesses. To that end, he could be biased! □

FINANCE**Purchase Contracts: Big Money or Big Mistake?**

You've been approached by a vendor to sign an exclusive, long-term purchase contract. Upon execution, they'll cut you a big check. Cash money.

Before you sign, remember what mama always told you, there's no such thing as a free lunch.

Purchase agreements have done a whammy on the quick-lube industry. Just ask industry veteran Michael Baynes. He consults on the purchase, sale and valuation of quick lubes throughout North America. Many people around the industry wish they'd never signed one. The up-front money went quickly and then profit margins suffered for years on end.

Of course, it's possible to get a good deal, but the odds are against it. Before you sign one, have it reviewed by an attorney. Also, compare current prevailing prices, escalation clauses, pass-throughs, inflation adjustments, up-front fees, cancellation fees and penalties. And a pretty accurate crystal ball might help you see where future prices are going. □

EXHIBIT

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